

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-01 INR-07
NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
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R 180933Z MAY 77
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 8532
USDOC WASHDC
INFO AMEMBASSY MOSCOW
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMCONSUL MUNICH
USMISSION NATO

UNCLAS BUDAPEST 1624

E O 11652: NA
TAGS: EEWT ETRD EFIN HU
SUBJ: MODIFICATION OF 1972 HUNGARIAN DECREE ON
ECONOMIC ASSOCIATIONS WITH FOREIGN PARTICIPATION

1. MAY 6 OFFICIAL GAZETTE (MAGYAR KOZLONY) CARRIES
FINANCE MINISTRY MODIFICATION TO DECREE NO 28 OF
1972 (WHICH PROVIDES FOR "ECONOMIC ASSOCIATIONS WITH
FOREIGN PARTICIPATION," I.E. HUNGARY'S BASIC "JOINT
VENTURE" LAW).

2. 1972 DECREE PERMITS SUCH ASSOCIATIONS " IN ORDER
TO DEVELOP THE LEVEL OF TECHNOLOGY AND TO CARRY ON
PROFITABLE TRADE AND SERVICE ACTIVITIES." NEW WORDING
ALLOWS JOINT VENTURES IN ORDER TO PURSUE "PRODUCTION,
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COMMERCIAL OR SERVICE ACTIVITIES." STATUS OF JOINT VEN-
TURES ENGAGED IN PRODUCTION HAZY UNDER ORIGINAL DECREE,
WHILE MODIFICATION SPECIFICALLY PROVIDES FOR THEM.

3. THE 1972 DECREE STATES THAT THE SHARE OF THE FOREIGN
PARTNERS SHOULD GENERALL NOT RPT NOT EXCEED 49 PER CENT;
MODIFICATION MAKES IT POSSIBLE TO DEPART FROM THIS PROVISIO IN

THE "FINANCIAL (BANK) AND SERVICING FIELDS" WITH THE PERMISSION OF THE MINISTER OF FINANCE.

4. NEW "WAGE CONTRIBUTION" SET AT 35 PER CENT OF PAID WAGES, AND SOMEWHAT MORE THAN OFFSETS SLIGHTLY MORE FAVORABLE INCOME TAX TREATMENT. WHEREAS FORMERLY THE PROFIT TAX WAS 40 PER CENT, "NOT TO EXCEED 20 PER CENT OF THE TOTAL CAPITAL" AND 60 PER CENT OF ALL PROFITS OVER AND ABOVE THIS AMOUNT, NEW PROFIT TAX RATE IS FLAT 40 PER CENT. CHANGE ALSO STATES THAT NO OTHER PROFIT TAXES WILL BE IMPOSED AND, MORE IMPORTANTLY, THAT THE MINISTER OF FINANCE MAY ALLOW LOWER TAX RATE.

5. EMBASSY FORWARDING TRANSLATION TO DEPARTMENT.

6. EMBASSY COMMENT: NEW DECREE WILL ALLOW GOH MORE FLEXIBILITY IN PURSUING PRESENT POLICY OF ENCOURAGING JOINT VENTURES (BUDAPEST 0827 AND PREVIOUS).

7. ACCORDING TO ONE KNOWLEDGEABLE SOURCE, MODIFICATION IN PART RESULTS FROM QUESTIONS RAISED BY U.S. PATENT DELEGATION IN JULY 1976, CONCERNING POSSIBILITIES FOR GREATER THAN 51 PER CENT OWNERSHIP BY FOREIGN PARTNERS IN SOME TYPES OF JOINT VENTURES.
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Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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